

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Hearing Date: 12/15/09
11:00 a.m.

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In re:

Chapter 11

THE PARKWAY HOSPITAL, INC.

Case No. 05-14876 (PCB)

Debtor.

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**INTERIM ORDER GRANTING DEBTOR'S MOTION TO
MODIFY CONFIRMED PLAN OF REORGANIZATION
TO PROVIDE A STAY OF ALL PENDING STATE COURT
LITIGATION AND ENFORCEMENT ACTIONS**

Upon the motion (the "Motion") of The Parkway Hospital, Inc. ("Parkway") seeking to modify its confirmed Amended Plan of Reorganization (the "Plan") to provide a stay of all pending state court litigation and enforcement actions pending conclusion of litigation against commenced by the Debtor against Richard F. Daines M.D., as Commissioner of the New York State Department of Health, and the State of New York, under adversary proceeding number 09-01181(PCB) (the "HEAL Litigation"); and sufficient and proper notice having been given to creditors and other parties-in-interest as directed by this Court; and various objections having been filed to the Motion by certain judgment creditors and other parties; and in light of the impending retirement of the undersigned; and the Court recognizing that these matters require further evidentiary hearings, while also recognizing the need to preserve the status quo by providing some type of interim relief; and based on the hearing held on December 15, 2009; it is hereby

ORDERED, that all Pending Litigation, as referenced and defined in the Motion, is hereby stayed on an interim basis until the appointment of a new judge and pending further disposition of these matters by the new judge; provided, however, Parkway shall not expend any funds out of the ordinary course of business without prior notice to the objecting judgment creditors, and Parkway shall provide the objecting judgment creditors with an accounting as to the disposition of funds received and monies expended during the last six (6) months time; and it is further

ORDERED, that because the purpose of the stay is to relieve Parkway from obligations pertaining to satisfaction of judgments and defending lawsuits at this time, but not to interfere with the expeditious resolution of pending litigation, nothing contained in this Order, even on an interim basis, shall be interpreted as barring any party from seeking, or any Court from hearing, determining, or severing Parkway from claims against other defendants in any pending actions, and allowing those actions to go forward against the other defendants without Parkway, and the filing of this Order by an affected party may be deemed the functional equivalent of a severance against Parkway without further motion practice; and it is further

ORDERED that, notwithstanding any other provision in this Order to the contrary, with respect to claims held by Local 1199 and its related funds, (a) the stay imposed by this Order shall not bar the entry of judgment against Parkway in any action currently pending in any State or Federal Court, and (b) the entry of this Order shall be deemed to be a “return of an execution unsatisfied against Parkway

upon a judgment recovered against” with respect to any judgment entered or to be entered against Parkway for purposes of Business Corporation Law § 630; and it is further

ORDERED that nothing contained in this Order shall be interpreted as barring any judgment creditor of Parkway, including Local 1199 and its related funds, from seeking to enforce their respective claims against any third parties who may be jointly liable with Parkway on the underlying debts; and it is further

ORDERED that as noted on the record, so as to minimize litigation expenses for these parties, Parkway shall negotiate in good faith to fix the amount of the claims owed to the Brooklyn Union Gas Company d/b/a National Grid NY and Hospital Financial Services Corp. and American Maintenance, and upon completion of such negotiations, said claimants shall have the right to docket judgments in the amount of their claims but shall otherwise be stayed from enforcing such judgments during the period of this Order.

Dated: New York, New York
December 28, 2009

/s/ Prudence Carter Beatty
Hon. Prudence Carter Beatty
United States Bankruptcy Judge